DOCUMENT RESUME

ED 298 203 UD 026 336

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TITLE Program Strategy and Design: Options for Federal Actions in Education.
PUB DATE Oct 87
NOTE 19p.; In: Policy Options for the Future of Compensatory Education; see UD 026 334.
PUB TYPE Speeches/Conference Papers (150) -- Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Compensatory Education; Economically Disadvantaged; Educationally Disadvantaged; Elementary Secondary Education; Federal Aid; *Federal Programs; *Federal State Relationship; Financial Support; Objectives; Program Administration; *Program Design; Program Development; *Program Evaluation; Program Implementation; School Districts; State Programs
IDENTIFIERS *Education Consolidation Improvement Act Chapter 1; *Elementary Secondary Education Act Title I

ABSTRACT

This paper analyzes design alternatives for Federal elementary and secondary education programs. It identifies the range of program strategies available and analyzes their strengths and weaknesses. The proper design for any program depends upon the following factors: (1) goals; (2) the availability of Federal funding to pay for necessary services and administrative actions; (3) accommodations necessary to enact the program and sustain its political support; and (4) the capacity of the organizations that deliver services to beneficiaries. The design of Chapter 1/Title I is analyzed. The following alternative program designs are compared according to several standard criteria: (1) subsidies to assist (or induce) state and local public school systems to change their service delivery patterns; (2) contracts with nongovernmental organizations to deliver certain services or serve designated groups; and (3) transfers of purchasing power to students or their parents. A figure illustrates some of the data. A brief list of references is included. (BJV)

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PROGRAM STRATEGY AND DESIGN: OPTIONS FOR FEDERAL ACTIONS IN EDUCATION

by

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PROGRAM STRATEGY AND DESIGN:
OPTIONS FOR FEDERAL ACTIONS IN EDUCATION

Funding Individuals, Funding Organizations

This paper analyzes design alternatives for Federal elementary and secondary education programs. It identifies the range of program strategies available and analyzes their strengths and weaknesses. My goal is not to identify the one best design for Federal education programs, but to provide a framework of options that policymakers can consider.

The theme of this paper is that the proper design for any program depends on four factors:

- goals,
- the availability of Federal funding to pay for necessary services and administrative actions,
- accommodations necessary to enact the program and sustain its political support, and
- the capacity of the organizations that deliver services to beneficiaries.

I do not assume that all programs can have sharply defined goals or that simple administrative structures are always best. Some programs are established only because legislative brokers are able to fashion agreements that let contending groups hold different beliefs about who is supposed to benefit. Many programs are able to function only because potential opponents are co-opted by arrangements that give them a stake in providing services. Under some circumstances, an elegant design (e.g., unconstrained cash transfers to beneficiaries) could doom a program to failure by making its goals too sharp and its administrative structure too simple.

Program designs are not intrinsically good or bad, but they are better and worse suited to particular situations. I hope this paper will help policymakers choose program designs based on a better understanding of the interplay among goals, available funding, legislative and bureaucratic politics, and the technical capacities of service delivery organizations.

The paper has three parts: a review of the alternative designs available for Federal programs, an analysis of the design of Chapter 1/Title I, and a comparison of alternative program designs according to several standard criteria.

Types of Programs

This section identifies the range of alternative program designs and selects three for further analysis. To identify the range of logical possibilities, we start with a simple classification scheme. A program design has three dimensions: source of funding, source of decision about the character of services to be delivered, and the source of the services. Each of the three dimensions can be divided as follows:

Who pays for the services

- State Educational Agency (SEA)/Local Educational Agency (LEA)
- Federal government
- Mixture of SEA/LEA and Federal government

Who chooses services

- LEA
- Client (i.e., beneficiary or proxy)
- Other (e.g., courts or Federal officials)

Who delivers the services

- LEA
- State agency or institution
- Federal agency or institution
- Contractor or private organization

These factors provide a framework for the identification of program design alternatives. A matrix of the 36 cells defined by the intersections of all the above characteristics, is presented in Figure 1. Each cell of the matrix describes a distinctive program design.

To give the matrix concrete meaning I have placed the principal public elementary and secondary education programs in the appropriate cells. The distribution of programs in the matrix and the pattern of empty cells show that some program designs are more likely to occur in the real world than others.

The reasons for large regions of empty cells are readily apparent. The empty cells on the lower left side of the matrix reflect the fact that LEAs strongly prefer to deliver any services they pay for. The many empty cells in the second and third rows of the matrix reflect the fact that state governments and the U.S. Department of Education seldom engage in direct delivery of educational services. (The exceptions are informative: the Federal and state governments run custodial institutions for special needs populations, and regular schools in remote government reservations, e.g., Native American settlements and military bases).

Figure 1

Matrix of Program Characteristics

Who Delivers Services	Who Pays for Services: SEA/LEA — Chooser of Services: LEA	SEA/LEA — Chooser of Services: Client	SEA/LEA — Chooser of Services: Other	Federal Government — Chooser of Services: LEA	Federal Government — Chooser of Services: Client	Federal Government — Chooser of Services: Other	Mix of SEA/LEA/Fed — Mix of SEA/LEA/Fed: LEA	Mix of SEA/LEA/Fed — Mix of SEA/LEA/Fed: Client	Mix of SEA/LEA/Fed — Mix of SEA/LEA/Fed: Other
LEA	1		2	3	4		5		
SEA									6
Federal agency						7			
Private or independent agency						8	9	10	11

KEY:
1 = Regular district instructional program
2 = Civil rights mandates
3 = Chapter 1 services
4 = Alum Rock-style vouchers
5 = Education for All Handicapped Children Act (P.L. 94-142)
6 = Education in state hospitals or custodial institutions
7 = Department of Defense Dependent Schools and other schools on Federal reservations
8 = Bureau of Indian Affairs Schools run by tribes or other independent agencies
9 = Title I "by-pass" arrangements for services to nonpublic school students
10 = Unconstrained Chapter 1 voucher plan
11 = Special vendor services (e.g., private placements) under P.L. 94-142

In general, our Federal system leaves the delivery of educational services to local governments or private organizations, and there is little reason to expect that to change.

The pattern of filled cells is also informative. The programs in the lower right-hand corner, in which private schools and agencies receive public money to deliver educational services, are funded at least in part by the Federal government. SEA/LEA programs seldom use private service vendors. Federal programs are slightly more likely to work through private organizations, but two of the four examples of private service delivery cover exceptional circumstances that arise in the implementation of much larger Federal programs (i.e., Title I "by-pass" arrangements for services to nonpublic school students, and special private placements for handicapped children who cannot be served in regular LEA programs). The "by-pass" concept may have wider applicability as a program concept, but the P.L. 94-142 special placements concept is suitable only for handling exceptional cases. (See Madey & Hill, 1982 for a discussion of the problems that would result from any effort to make the right to due process in student placement decisions more generally applicable).

Client choice of services is exceedingly rare. It has occurred (or might occur in the future) under publicly funded voucher plans. It also occurs in programs for the handicapped, when parents think the LEA has placed a child incorrectly and convince a judge or hearing officer to order an alternative placement.

A relatively small set of realistic possibilities emerges from the matrix of conceivable program designs. They are:

(1) Programs run by LEAs with mixes of Federal, state, and local funds

(2) Programs run by special institutions for populations distinguished by geographic remoteness or need for mixed educational and custodial services

(3) Programs run by contractors in lieu of LEAs

(4) Programs that give clients claims on government funding for services to meet demonstrably unusual needs

(5) Programs that give clients the initiative in finding and choosing educational services

Of these, numbers (2) and (4) are essentially ways of making special accommodations for unusual groups and individuals. Only (1), (3), and (5) are feasible methods for serving all students or large, geographically distributed subgroups. They are therefore the main design alternatives that will be examined in the rest of this paper.

Design of Chapter 1/Title I

This is a highly telegraphic description of Chapter 1, meant only to state basic facts for analysis. I assume that readers know Chapter 1's design, so I won't belabor the description. By starting with a well known program I hope to familiarize readers with the vocabulary and analytical methods used in the rest of the paper.

What Chapter 1 Is

Goals

Deliver supplementary services for educationally disadvantaged (low-achieving students) in low-income schools. Concentrate on basic skills services; deliver directly to the most needy students and upgrade the general educational quality of schools with high concentrations of disadvantaged students. Within schools, beneficiaries are selected under criteria set by the local system according to general state and Federal guidelines. Eligible students in nonpublic schools may receive services. Eligibility is contingent on residence: no student is personally entitled to services.

Funding

Federal funds are allocated to counties based on a statutory formula that emphasizes census-based poverty measures. SEA allocates Federal funds to LEAs using a subcounty allocation formula that it may choose, but which must be based on some measures of poverty. Funds are spent by LEA central administration, and services purchased are allocated to eligible schools. LEA must preserve an audit trail on funds to allow state and Federal governments to verify maintenance of effort and non-supplantation.

Choice of services

The LEA delivers Chapter 1 services under a plan that is submitted annually to the SEA. SEA reviews the plan for adherence to fiscal regulations and broad curricular guidelines: LEA discretion is considerable. LEA allocates program funds for teacher salaries, equipment, and other service components. Principals of eligible schools choose services from a limited menu offered by school district Chapter 1 office.

Service delivery

Most services are delivered in program-eligible schools during regular school hours. Services must demonstrably add to regular instructional program. Chapter 1 services are managed inside the school by the principal. Parents of recipient children may organize and maintain a loose advisory relationship with LEA program administrators. Eligible nonpublic school children receive services under special arrangements created by the LEA. Some are served in their

own schools, others are served only at special times and places. Instructional programs and results may be evaluated by SEAS and Federal agencies; district must do its own evaluation and make results public. Program administrators are encouraged to share ideas via inter-district meetings, publications, state and Federal networking efforts.

Explanation for the Features of Title I/Chapter 1

The foregoing complex description is only a tip-of-the-iceberg account of the funding and administrative arrangements for Chapter 1. Why is it so complicated, and how did it get that way? I shall try briefly to answer those questions in light of the political constraints that faced legislative supporters of the original Title I, and the limits of organizational capacity that faced the Federal officials who were assigned to implement it.

Goals

Title I had one overarching goal—to induce public school systems to attach higher priority to the education of poor and racial minority children. But the entrepreneurs who developed Title I (i.e., President Johnson, his staff, and his congressional collaborators) had important subsidiary goals: they wanted to establish the principles that the Federal government could aid in the funding of elementary and secondary education, and that local education agencies were no longer immune to influence from the national government.

Funding

Johnson et al. wanted Title I grants to be attractive to state and local education agencies, but they also wanted to get credit for the program's achievements. They made the program attractive in two ways: by writing funding formulas that guaranteed grants to virtually all jurisdictions and by establishing funding levels high enough to make a real difference in state and local budgets. Because poverty levels differ enormously from one locality to another they allowed school districts to determine eligibility thresholds for schools and students; they knew that such provisions would create cross-district horizontal inequities, making identical students eligible for Title I in one district and ineligible in another.

Political constraints

Johnson and his legislative allies needed to avoid creating alarm about Federal intrusion into an area traditionally reserved for state and local governments. They co-opted state and local officials by making their education agencies the channels for distribution of Title I funds and services. They co-opted teacher organizations by providing that most Title I services would be delivered by certified teachers in regular school sites.

The support of Catholic Congressmen was essential, but to get it the entrepreneurs had to provide some benefits for parochial school students. On the other hand, Federal aid to education could not survive a squabble about church and state issues. Sam Halperin and others invented the "child benefit theory" to emphasize that aid to nonpublic school students would benefit the children as individuals, rather than the schools that they attended.

In the program's early years civil rights groups became convinced that LEAs were not using Title I funds to help poor children. A coalition of civil rights advocates, liberal Congressmen, and journalists arose to insist that LEA compliance be forced via program audits and enforcement actions. The U.S. Office of Education created an enforcement machinery and a rich body of concepts and theories to demonstrate that Title I funds led to service improvements for eligible children. To ensure that national Democratic politicians could take credit for program successes, they required Title I services to be delivered in ways that made them readily identifiable.

Organizational Capacity

Though the decision to run Title I through state and local education agencies was a result of Johnson's basic goals, it was further reinforced by the fact that no other organizations had any ability to provide the desired services. If public school systems had neglected the needs of the disadvantaged, they were not alone. Schools of education had only just been awakened by Benjamin Bloom's call for compensatory education, and few private institutions had developed relevant expertise. So public school systems seemed to be the only feasible delivery system.

The entrepreneurs assumed correctly that a major new funding program would stimulate research and program development in the area. But they were not willing to wait for market forces to work. They permitted SEAs and LEAs to divert parts of their grant funds to research, demonstrations, curriculum development, dissemination, and teacher training. The U.S. Office of Education also funded separate research and development grant programs to stimulate the schools of education, and funded new research centers dedicated to the education of the disadvantaged. The evaluation requirements proposed by Robert Kennedy provided further funding and stimulation for the academic community's involvement in Title I.

Finally, the entrepreneurs hoped that the beneficiaries (or their parents) would become an organized constituency that public school systems could no longer ignore. But they knew that poor people were not well organized for educational advocacy, and that parents generally did not have a good understanding of their children's needs. So the program design included a mandate for Title I parents to take part in local program decision-making and to receive training on educational issues.

Conclusion

The foregoing shows how different considerations interact to make a program complex. It is meant to suggest that program designs must meet a range of criteria, few of which support an emphasis on simplicity of design. Due to multiple goals, political constraints, and organizational capacity considerations, many effective Federal programs are highly complex and distribute benefits to many groups in addition to the principal beneficiaries. (For these reasons the Education for All Handicapped Children Act is even more complicated than Chapter 1: See Hill & Marks, 1982).

Program designs should be evaluated for workability in a world of multiple goals, political constraints, and organizational limitations, rather than in vacuums.

Strengths and Weaknesses of Alternative Program Designs

This section analyzes the special strengths and weaknesses of three broad classes of program designs. They are:

(1) Subsidies to assist (or induce) state and local public school systems to change their service delivery patterns,

(2) Contracts with nongovernmental organizations to deliver certain services or serve designated groups, and

(3) Transfers of purchasing power to students or their parents.

We shall assess each class of services according to its suitability for particular goals, requirements for Federal funding, potential for gaining and keeping political support, and the organizational capacities it requires.

Subsidy to State and Local Agencies

Goals

Subsidy to state and local agencies is particularly appropriate for programs intended to enhance the quality or quantity of existing services. Subsidy is also the obvious design for programs that require close coordination between a special federally supported enrichment program and the beneficiaries' regular schooling.

Subsidy is an ideal choice whenever the goal is to create leverage, i.e., effects on educational activities other than the ones directly supported by Federal funds. If the program is meant to influence broader educational practice, it should operate in close proximity to regular school programs. If it is meant to change local habits and priorities so that the desired activities will continue even after the Federal program has expired, it should be run by local

school district employees who will ultimately filter back into standard teacher and administrator roles.

By these criteria, Title I and the Education for All Handicapped Children Act (EHA) were both properly based on subsidy. They both were meant to change local priorities and capabilities on behalf of particular beneficiary groups. As I have argued elsewhere (Hill, 1979; Hill & Marks, 1982) both Title I and EHA have created and institutionalized the desired changes in local practice.

Funding

Subsidy is possible only when Congress and the executive branch are willing to spend the money necessary for major intergovernmental transfers. Costs can be moderated if SEAs and LEAs can be induced to provide complementary services, and administrative costs can be treated as marginal. New conditions in the form of unfunded mandates can be imposed on subsidy programs that SEAs and LEAs have come to depend on. (But such mandates are often funded by reducing services for beneficiaries of the original subsidy program: see Kimbrough & Hill, 1981; Madey & Hill, 1982).

But the minimum costs of a subsidy program are inevitably high, especially if it is to operate, as most Federal programs must, in many school districts.

Political Constraints

The overwhelming political advantage of a subsidy-based program is that it attracts support from those people at the state and local level who are normally most interested in education, e.g., members of state legislative education committees, senior SEA officials, school boards, principals, and teachers. If those groups' continued support is essential for program success, subsidy is the obvious program design approach. (The regulatory apparatus and unfunded mandates that become attached to the subsidy may become controversial, but the subsidy itself is usually unpopular only with the advocates of governmental economy).

Subsidy of established public education agencies has additional important political advantages. It embeds the Federal program in an organization that is clearly accountable to the courts and the public for its adherence to a variety of civil rights laws, public employee protections, and financial propriety rules. These laws and rules ensure that beneficiary groups have channels of access to their service providers, and they spare Federal officials the need to intervene in routine local disputes. Subsidy also makes the flow of Federal benefits to local jurisdictions completely transparent. This appeals to members of Congress, who like to call attention to Federal benefits brought to their districts.

Running programs through state and local agencies imposes real limitations on what the Federal government can accomplish. As the implementation literature documents so thoroughly, local officials'

conceptions of their jobs must be reckoned with. Federal programs that seriously challenge local preferences are seldom implemented faithfully. Enforcement programs and efforts to strengthen the local political clout of program beneficiaries may work in the long run, but progress is slow and the costs are high (See Berman & McLaughlin, 1975; Hill & Marks, 1982). Even when Federal programs do not impose alien values and procedures, local agencies are likely to compete with Federal officials for influence over program design, and to require side payments in the form of support for all associated administrative costs, whether or not they were previously borne locally.

Organizational Capacity

Public school systems have well-established access to teacher recruits, instructional materials, consultants, and other resources necessary to develop and deliver services. They have established administrative and accounting procedures and some capacity to fit new instructional activities into students' daily routine. They are also experienced at fulfilling the ancillary requirements of Federal programs (e.g., due process in hiring, evaluation, and consultation with beneficiaries).

On the negative side, local agencies are constrained by their obligation to provide regular instructional services, by the limited length of the school day, by teachers' civil service protections and union contracts, and by local political forces. Some also have reputations that would interfere with the hiring of new groups of highly trained teachers. For these reasons, some public school systems may have very little capacity to manage new programs.

Contracts with Nongovernmental Organizations

Goals

Contracting is a means of by-passing public school systems in order to obtain services from another provider. The motivations for such a by-pass are mainly organizational and political. If public systems refuse to deliver a class of service or determinedly neglect a group of students, contracting is a way to get the services delivered or the students served. If particular school systems are unable to recruit the teachers needed to deliver a program (due to local political constraints or bad agency reputation), contracting is a promising alternative.

Contracting could become a practical necessity if a private organization had a proprietary curriculum that it would not let others deliver. But in the real world firms can make more money selling books and materials to public school systems than by delivering services directly.

In the late 1960s contracting was seen as a way of introducing profit incentives to education. Though the results of "performance

contracting" were disappointing, the prospects of applying business methods to education make contracting attractive.

Contracting is also an excellent way of trying out a program concept while preventing it from taking root in the local educational bureaucracy. In this respect contracting's advantages are the mirror image of those discussed under subsidy: the practices of contracted programs are unlikely to influence regular classroom instruction or continue after Federal funding stops.

Funding

Contracting is likely to cost the Federal government more on a per pupil basis than would the traditional programs based on subsidies to SEAs and LEAs. Federal funds would have to pay all the costs of service delivery and administration. Contractors cannot embed their administrative costs in other ongoing activities, and public school systems are very unlikely to help the Federal government by subsidizing a private contractor.

The Federal government may be able to bear such costs for an experimental program or emergency intervention in a few sites. But a nationwide program based on formula allocation to beneficiaries would probably be much more expensive than a program of subsidies to SEAs and LEAs.

Political Constraints

Most of the political advantages and disadvantages of contracting are the mirror images of those noted under subsidy. Contracting lets the Federal government run a program that flies in the face of local public educators' preferences. Contracting is relatively invulnerable to vetoes and diversion of benefits by local public officials and interest groups.

On the negative side, a contracting program would have to survive the opposition of school boards, principals, teachers' unions, and general government leaders. Beneficiary groups may also feel that they lack access to contractor personnel and that their civil rights are less directly enforceable. Contractors' customary freedom from the public sector's need for fiscal propriety may prove a further liability: scandals about fiscal or service delivery problems could promptly destroy a contracting-based program.

Organizational Capacity

Though there are many proprietary educational institutions, few deliver services on anything like the scale required for a Federal program in a large school system. Contractors may have grave difficulty scaling up their operations. Though they may be less constrained than LEAs by teacher certification requirements and hiring rules, contractors may have trouble recruiting good enough personnel in large enough numbers.

The Federal government's organizational capacity for a major contracting program is also questionable. Its ability to let and monitor the hundreds of separate contracts required for a nationwide program is doubtful. The Department of Education would almost certainly need to arrange for licensing and technical inspection of contractor services--a major organizational problem and a political liability.

Contracting is probably feasible as a way of running an experimental program or of disciplining a recalcitrant local education agency. But the organizational challenges are probably too great for a major multi-district high enrollment program.

Transfers to Beneficiaries[2]

Goals

Transfer of purchasing power is meant to give students and their parents control over the selection of educational services. Such programs are based on one or both of two assumptions: first, that beneficiaries understand their own needs better than do service providers, and can therefore make more appropriate choices of services; and second, that competition for students will force schools to offer higher quality services.

The first assumption reflects the enthusiasm for income transfers that characterized the Federal government's "war on poverty" after 1968. The economists who dominated antipoverty thinking in the Nixon-era Office of Economic Opportunity argued that the most direct way to improve a person's welfare was to increase his income, i.e., by transferring purchasing power instead of by providing a specific service. Income transfer programs were proposed at that time for education, health care, housing, and food assistance. The proposed income transfer programs were either unconditional (e.g., welfare income supplements, which could be used for any purchase the recipient chose to make) or linked to the purchase of a specific class of service (e.g., housing allowances or education vouchers). In general, conditional transfers were offered in areas in which the public interest required that the recipients consume a high minimum level of the service.

The second assumption reflects a desire to impose market disciplines on public service bureaucracies. Under this assumption, increases in beneficiaries' purchasing power are means to another end, which is to increase the quality and diversity of services offered. The recipients may or may not make astute choices among services; but the need to compete for patronage would force service delivery organizations to operate more efficiently and offer more attractive products.

Two present-day education proposals reflect different mixes of the two assumptions. Education tax credit plans generally emphasize

the value of consumer choice, and education voucher proposals emphasize the importance of market discipline on providers.

Funding

Transfer programs in education can cover a wide or narrow range of services, and Federal payments can either be open-ended (e.g., for a voucher to pay whatever a particular service costs) or controlled (e.g., a fixed allowance that the beneficiary may supplement).

But like contract-based programs, transfers force the sponsor to bear high per unit costs. State and local governments are unlikely to share costs unless program services are limited to ones they deliver. Existing nonpublic schools may charge only marginal costs for services purchased via voucher plans, but they could not greatly expand their capacity. A Federal program that increased demand for privately delivered educational services would require investments in new plant, equipment, and salaries, and the vast majority of those costs would have to be paid directly. Services provided by parochial schools in particular would be much more costly if they were forced to pay market-rate wages to large numbers of new teachers.

Political Constraints

Like contracting, transfers are attractive to those who distrust public bureaucracies. But such programs must do without the support from state and local education agencies and teachers' unions that have been the main political foundations for Federal education programs since Title I. Parents of beneficiary students may or may not be an important alternative source of support: it depends on how good the services are and how hard they are to obtain.

Support based on the attractiveness of income transfers in principle may not be enough to sustain a program in the long run. Support for "good government" theories is typically broad but shallow, and activists are likely to shift their attention from education to other fields if interesting opportunities arise. But opposition from the "bureaucrats" who are by-passed or disciplined by transfer programs will be consistent and strong. Those who hope competition will spur innovation may be disappointed first, if they discover that competition leads providers to cluster together near the middle of the spectrum of current educational practice, in hopes of attracting the very large numbers of students whose parents have no taste for educational innovation. (I hope I have not butchered Elmore's point here.)

Finally, the enduring public need to educate the young will ultimately lead courts and legislatures to treat service delivery organizations as quasi-governmental bodies. As transfer programs acquire the trappings of public accountability, they are almost certain to become less flexible and distinctive.

Organizational Capacity

Most income transfer programs presume that the market can respond to an increase in demand. That assumption is clearly warranted in the case of food stamps and medical care (though in the latter case price increases may soak up a major share of transfer payments). But it may not be so justified when service delivery requires substantial front end investment (e.g., housing) or when the capacity of the private market is small (e.g., education). The greatest unanswered question about the feasibility of large-scale transfer programs for elementary and secondary education is the capacity of the private market to respond.

Subsidiary questions concern the ability of public agencies to certify the quality of privately provided services. As Elmore argues, government cannot escape its responsibility for ensuring that children get the necessary amounts and qualities of educational services. As is the case for other privately provided services, government retains the responsibility to license providers, set minimum service standards, protect consumers against providers who make false claims, prevent racial or sex discrimination in delivery of services, and guard against misuse of public funds. These functions will ultimately require an extensive licensing and enforcement bureaucracy--one that could become as large and intrusive as the one that manages Chapter 1, programs for handicapped children, and the civil rights laws. That bureaucracy might not need to be all Federal, but there is reason to doubt whether state and local education agencies would be willing to enforce the terms of a program that was intended to bypass them.

Conclusion

Each of the three basic program designs discussed above has its distinctive strengths and weaknesses. Because none is superior for all cases, the Federal government should be prepared to use them all in combinations.

The traditional concept of subsidy emerges from my analysis as the one with the broadest applicability. On grounds of costs, political support, and institutional capacity, programs of subsidy to state and local education agencies are the only plausible method for delivering federally funded services to large numbers of students nationwide.

The other two basic program strategies, contracts with nongovernmental organizations and direct transfers to beneficiaries, have more limited applications. One very important use is to fill the interstices in major subsidy programs--providing service alternatives in states and school districts whose public education agencies will not or cannot serve all the intended beneficiaries. Contracts and direct transfers may also supplement subsidy programs by providing service alternatives for beneficiary children who need rare or

costly services. Vouchers might, for example, be ways of permitting the parents of severely handicapped children to select services directly, while limiting the government's total cost.

Another highly promising use of contracts and direct transfers is for the development and demonstration of new ideas. Transfer programs could be run temporarily in a few sites as a way of stimulating private sector innovations—new ways to serve needy populations and services that may be attractive to special interest groups. Contracts could be used temporarily in particular sites to demonstrate or test new methods for administering or regulating Federal program services. Pretesting such mandates would help prevent the application of ill-advised new mandates to ongoing subsidy programs.

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FOOTNOTES

1. The views expressed in this paper are the author's and may not reflect the opinions of the Rand Corporation or its sponsors.

2. An excellent paper by Richard Elmore (in press) has greatly influenced my thinking on this topic. The analysis that follows is mine, and I take full responsibility for it. But much of what is good comes at least indirectly from Elmore.